

SC1940. SUBCHAPTER 1940PERFORMANCE MANAGEMENT
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- AP1. Appendix 1 Notional NSPS Pay Pool Process Timeline
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* Go to http://www.cpms.osd.mil/nsps/performance_management.html

SC1940. SUBCHAPTER 1940
PERFORMANCE MANAGEMENT

- References:
- (a) Title 5, United States Code
 - (b) Title 5, Code of Federal Regulations
 - (c) DoD Directive 5500.07, “Standards of Conduct,” November 29, 2007
 - (d) DoD 5500.7-R, “Joint Ethics Regulation (JER),” August 1993

SC1940.1. PURPOSE

This subchapter implements the performance management policies under section 9902 of Reference (a) and part 9901 of Reference (b) and prescribes procedures, delegates authority and assigns responsibility for the NSPS performance management system. This subchapter must be read and used in conjunction with part 9901 of Reference (b). Policies regarding performance pay pool funding, and calculations related to performance payouts, are contained in SC1930.9. The Heads of the DoD Components with independent appointing authority may issue policy, procedures and guidance for themselves and their serviced organizations, if any, to supplement this subchapter, in so far as such policy, procedures and guidance are consistent with References (a) and (b), this subchapter and subsequent DoD issuances.

SC1940.1.1. NSPS is designed to promote a performance culture in which the performance and contributions of the DoD civilian workforce are more accurately and fully recognized and rewarded. The NSPS performance management system is an essential part of this design by providing a fair and equitable method for appraising and evaluating the performance of eligible employees.

SC1940.1.2. The execution of responsibilities and procedures in this subchapter and any supplemental guidance will support and be consistent with merit system principles set forth in Chapter 23 of Reference (a).

SC1940.1.3. Pursuant to section 9902 of Reference (a) and part 9901 of Reference (b), the provisions of Chapter 43 of Reference (a) have been waived, thereby allowing supervisors and managers to adjust performance expectations in response to the rapidly changing DoD work environment and to more effectively hold employees accountable for those general and/or assignment-specific performance expectations.

SC1940.2. APPLICABILITY

This subchapter applies to the OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the

DoD Field Activities, and all other organizational entities in the Department of Defense under NSPS (hereafter collectively referred to as the “DoD Components”).

SC1940.3. DEFINITIONS

Key terms applicable to this subchapter are listed at SC1910, Appendix 1.

SC1940.4. GENERAL ROLES AND RESPONSIBILITIES

Performance management is a priority for supervisors, managers and employees at all levels. The success of leaders must be linked to the performance of subordinate supervisors and employees and full execution of performance management and performance-based pay responsibilities and practices at all levels of the organization. Performance-based pay is the linkage between pay – base salary and/or lump-sum bonus – and measures of DoD, organizational, team, and/or individual performance. The success of performance-based pay policies depends on performance planning, measurement, and management practices. All parties need to invest adequate time and effort throughout the appraisal period for training on and administration of performance management. Heads of DoD Components are accountable for the manner in which officials in their organizations carry out policy, procedures, and guidance. They will carry out an annual analysis of the NSPS performance rating and payout results for subordinate elements; and they will issue guidance to lower echelons and otherwise act to identify, examine and remove barriers to similar rating and payout potential for demographic and other groups in the workforce, apart from differences based on individual performance or material job differences.

SC1940.4.1. Performance Review Authority (PRA). A PRA provides oversight of several pay pools and addresses the consistency of performance management policies within a DoD Component, major command, field activity or other organization as determined by the DoD Component. DoD Components may provide additional guidance for the establishment of PRAs. The responsibilities of the PRA may be assigned to an individual management official or organizational unit or groups. PRA oversight responsibilities include application of DoD and DoD Component NSPS policies pertaining to the operation of pay pools, as well as post-decision analysis of rating and payout results. PRA members may not participate in payout deliberations or decisions that directly impact their own ratings of record. PRA responsibilities are further described in SC1940.11.6.

SC1940.4.2. Pay Pool Managers. A Pay Pool Manager is designated to manage the pay pool, resolve discrepancies, ensure consistency and equity within the pay pool, and approve recommendations concerning employee ratings of record, share assignment, and payout distribution between base salary increases and bonuses in a manner consistent with DoD, DoD Component and organization policies. Performance payout determinations may be subject to higher management review by the PRA or equivalent review process. Pay Pool Managers may not participate in payout deliberations or

decisions regarding their own performance assessment or pay. Pay Pool Manager responsibilities are further described in SC1940.11.5.

SC1940.4.3. Pay Pool Panel. The Pay Pool Panel is a board of management officials who are usually in positions of line authority or in senior staff positions with resource oversight for the organizations, groups or categories of employees comprising the pay pool membership. The primary function of the Pay Pool Panel is the reconciliation of recommended ratings of record, share distribution, and payout distribution. Pay Pool Panel members may not participate in payout deliberations or decisions that directly impact their own performance assessment or pay. Pay Pool Panel composition and responsibilities are further described in SC1940.11.1. and SC1940.11.2.

SC1940.4.4. Supervisors.

SC1940.4.4.1. Supervisors are charged with the responsibility, and will be held accountable, for effectively managing the performance of assigned employees to include but not limited to:

SC1940.4.4.1.1. Executing the requirements of this subchapter in a manner consistent with merit system principles set forth in Chapter 23 of Reference (a);

SC1940.4.4.1.2. Ensuring employees are trained in the performance management system;

SC1940.4.4.1.3. Clearly communicating performance expectations and holding employees responsible for accomplishing them;

SC1940.4.4.1.4. Aligning performance expectations and employee development with organization mission and goals;

SC1940.4.4.1.5. Developing written job objectives reflective of expected accomplishments and contributions for the appraisal period and identifying applicable contributing factors;

SC1940.4.4.1.6. Explaining to employees that conduct will be considered when evaluating their performance, both conduct that would raise the level of the employee's performance and conduct that would lower that level;

SC1940.4.4.1.7. Providing employees meaningful, constructive, and candid feedback relative to performance expectations, including at least one documented interim review;

SC1940.4.4.1.8. Ensuring employees are aware of the opportunity to provide a self-assessment;

SC1940.4.4.1.9. Fostering and rewarding excellent performance;

SC1940.4.4.1.10. Addressing poor performance;

SC1940.4.4.1.11. Making meaningful distinctions among employees based on performance and contribution;

SC1940.4.4.1.12. Completing closeout assessments, early annual recommended ratings, and special purpose ratings, as appropriate;

SC1940.4.4.1.13. Assuring that eligible employees are assigned a rating of record as prescribed by this subchapter;

SC1940.4.4.1.14. Forwarding recommended ratings of record, share assignments, and payout distributions to the Pay Pool Panel; and,

SC1940.4.4.1.15. Documenting the rating of record determination approved by the Pay Pool Manager on appropriate forms (e.g., electronic or paper copy of performance appraisal documentation) and communicating the approved rating, share assignment, and payout distribution to the employee in a constructive manner.

SC1940.4.4.2. In order to recommend a rating of record for consideration by the Pay Pool Panel, the supervisor must be adequately prepared through appropriate training in the basic elements of NSPS performance management.

SC1940.4.5. Rating Official. Only management officials will be permitted to recommend a rating of record for NSPS payout purposes to the Pay Pool Panel for consideration. Pay Pool Managers will ensure that each rating official has received the appropriate training in the basic elements of NSPS performance management. Normally, the immediate supervisor issues the recommended rating of record. If the immediate supervisor cannot render a recommended rating, the responsibility will be assigned to a management official who has been authorized by the Pay Pool Manager. At a minimum, rating officials are required to:

SC1940.4.5.1 Link employees' job objectives to the organization's mission and goal(s);

SC1940.4.5.2. Make meaningful distinctions in performance levels, as appropriate, and appraise employees based on actual performance, except as provided in this subchapter;

SC1940.4.5.3. Document job objectives and associated contributing factors for their employees;

SC1940.4.5.4. Conduct interim reviews with their employees;

SC1940.4.5.5. Address with employees' performance deficiencies in a timely manner; and

SC1940.4.5.6. Be prepared to discuss employees' performance and contributions at a pay pool review.

SC1940.4.6. Employees. Employees are encouraged to:

SC1940.4.6.1. Engage in dialogue with supervisors to develop job objectives and identify associated contributing factors;

SC1940.4.6.2. Identify and record their accomplishments and results throughout the appraisal period;

SC1940.4.6.3. Participate in interim reviews and the end-of-year assessments, including the self-assessment; and

SC1940.4.6.4. Understand the link between their performance expectations, conduct, and organization mission and goals.

SC1940.5. SETTING AND COMMUNICATING PERFORMANCE EXPECTATIONS

SC1940.5.1. Aligning Performance Expectations and Strategic Goals. Performance expectations will support and align with the DoD mission and its strategic goals, organizational program and policy objectives, annual performance plans, and other measures of performance. The DoD mission and goals cascade to the organization, and resulting organization mission and goals are the basis for individual performance expectations.

SC1940.5.2. Performance Expectations. Performance expectations will be set in accordance with section 9901.406 of Reference (b) and this subchapter. Performance expectations, even if not stated in a job objective, include the general behavioral expectations for all employees as stated in DoD Directive 5500.7 (Reference (c)) and the DoD Directive 5500.7-R (Reference (d)), as well as any behavioral expectations or conduct specifically related to the local organization.

SC1940.5.3. Communicating Performance Expectations. Communication between supervisors and employees is critical to the success of the performance management system; therefore, performance expectations and year-to-date progress will be the subject of several discussions throughout the year between supervisors and employees. In accordance with SC1940.6.4 and section 9901.409 of Reference (b), at least one interim review is required. Supervisors and employees will have meaningful dialogue on performance expectations, including but not limited to:

SC1940.5.3.1. Job objective(s) and performance indicator(s) appropriate for the pay band and current salary to which the employee is assigned and how they relate to organizational mission and goals;

SC1940.5.3.2. Selected contributing factors and how these relate to the accomplishment of the job objective(s);

SC1940.5.3.3. Weight of each job objective, if applicable;

SC1940.5.3.4. Examples of how the supervisor expects the employee to exhibit contributing factors in the execution of assigned duties and how these factors could modify ratings on the job objective;

SC1940.5.3.5. Measures of job objective accomplishment (quantitative, qualitative, timeliness); and

SC1940.5.3.6. Developmental expectations.

SC1940.5.4. Adjustment of Expectations During the Appraisal Period. Performance expectations will be reviewed regularly. When adjusting performance expectations, supervisors and employees must follow the requirements for planning, communicating, monitoring, and assessing expectations established in this subchapter.

SC1940.5.5. Performance Plans. Every eligible employee will be issued a performance plan containing the employee's major job objectives and associated contributing factors. Performance plans shall be documented on the official DoD NSPS appraisal form.

SC1940.5.5.1. Performance plans will be in place and communicated to the employee within 30 days from the start of the rating cycle, entrance on duty of a new employee, or employee job change. The 30-day requirement may be extended up to an additional 60 days. Such extension will not impact or delay the payout effective date.

SC1940.5.5.2. The supervisor will record the employee's receipt of the performance plan and the manner in which it was provided (face-to-face, telephone, etc.) to the employee on the NSPS appraisal form.

SC1940.5.6. Job Objectives and Contributing Factors. Performance expectations in the form of job objectives and contributing factors will be described in the performance plan for each eligible employee. Supervisors are encouraged to involve employees in the development of their job objectives and the identification of applicable contributing factors. Normally, this process will include at least one face-to-face discussion between supervisors and employees.

SC1940.5.6.1. Each eligible employee will be assigned at least one and generally three to five job objectives. These job objectives will be commensurate with duties and

responsibilities assigned to the employee and the salary paid to that employee. Job objectives may be weighted to reflect relative priority of the objectives included in the performance plan. No job objective may be weighted less than 10 percent. Weighted job objectives must total 100 percent.

SC1940.5.6.2. Adding Job Objectives. When new job objectives are assigned (e.g., due to a job change, additional duties, promotion, etc.), job objectives must communicate that portion of a major performance expectation that can be accomplished within the time remaining in the appraisal period.

SC1940.5.6.3. Mandatory Job Objective(s) for Supervisors. A supervisor's performance plan, including performance plans for supervisors under an NSPS performance system who supervise employees under a non-NSPS system, will include at least one supervisory job objective. This job objective may require accountability for the effective administration of NSPS (if applicable), Equal Employment Opportunity (EEO), and/or other DoD Component-specific requirements. Applicable policies for which supervisors will be held accountable include, but are not limited to, those documented in this subchapter, implementing issuances, and supplemental guidance issued by the Department of Defense and/or DoD Components as well as those in other laws or regulations such as EEO and merit system principles.

SC1940.5.6.4. Contributing Factors. Applicable contributing factor(s) that reflect the manner of performance important for the accomplishment of the job objective will be selected for each job objective. Selection of contributing factors is based on identifying the manner of performance that will significantly contribute to the accomplishment of the job objective. Actions, attitude, manner of completion, and/or conduct or professional demeanor as they positively or negatively impact individual or organizational performance may be aspects of an employee's performance that are assessed within the appraisal period.

SC1940.5.6.4.1. The NSPS contributing factors are:

SC1940.5.6.4.1.1. Technical Proficiency

SC1940.5.6.4.1.2. Critical Thinking

SC1940.5.6.4.1.3. Cooperation and Teamwork

SC1940.5.6.4.1.4. Communication

SC1940.5.6.4.1.5. Customer Focus

SC1940.5.6.4.1.6. Resource Management

SC1940.5.6.4.1.7. Leadership

SC1940.5.6.4.2. Criteria for Selection of Contributing Factors. When selecting the contributing factors for each job objective, the supervisor will only select those that add sufficient assessment information to impact a particular job objective and reflect the manner of performance important for the accomplishment of the job objective rather than the strengths or weaknesses of the employee performing the job. Generally one or two (but no more than three) contributing factors, should be identified for each job objective. Employees in the same organization (e.g., work unit, pay pool) with similar job objectives and base salary will be assigned similar contributing factors, as appropriate.

SC1940.5.6.4.2.1. The “leadership” contributing factor must be selected for the supervisory job objective described in SC1940.5.6.3. This contributing factor may be selected for a supervisor’s other job objectives, as appropriate.

SC1940.5.6.4.2.2. The “leadership” contributing factor may be assigned to any employee, whose position is in a pay band covered by an applicable benchmark descriptor, who is responsible for directing work and developing other employees.

SC1940.6. MONITORING PERFORMANCE

SC1940.6.1. As part of monitoring employee performance, supervisors are expected to adhere to the guidance identified in sections 9901.409 and 9901.410 of Reference (b).

SC1940.6.2. Properly monitoring performance enables supervisors to identify, address, and resolve performance deficiencies during the appraisal cycle. A Level 1 rating of record does not need to be formally assigned to the employee in order to address a performance deficiency.

SC1940.6.3. Dialogue and Feedback.

SC1940.6.3.1. Face-to-face is the preferred method of supervisor and employee dialogue for performance-based issues. Although supervisors have the primary responsibility for providing employees feedback, employees share the responsibility of identifying and communicating successes and difficulties relative to their assigned performance expectations.

SC1940.6.3.2. Employees may request periodic feedback and dialogue regarding their own performance. To the extent practicable, supervisors will accommodate such requests.

SC1940.6.4. Interim Reviews. While ongoing informal dialogue and feedback are essential throughout the rating cycle, one or more formal interim performance reviews will be held between supervisors and employees. At least one interim performance review will be prepared and documented during the appraisal period. Interim reviews for appraisal periods exceeding 180 days must be in writing.

SC1940.6.4.1. A formal interim review will acknowledge achievements and suggest areas for improvement, and provide meaningful dialogue and exchange of concerns. Developmental suggestions also may be provided to the employee, as appropriate.

SC1940.6.4.2. The employee will be provided with a copy of the written interim review for appraisal periods of 180 days or more. Supervisors will record the employee's receipt of the interim review and the manner in which the review was communicated (face-to-face, telephone, etc.) on the DoD NSPS appraisal form.

SC1940.6.4.3. Normally, the immediate supervisor will accomplish the interim review. To the extent practicable, if the immediate supervisor is unable to accomplish the interim review, he or she will provide meaningful input to the manager responsible for accomplishing the review.

SC1940.6.5. Closeout Assessment. A supervisor will complete a brief narrative description of employee performance, accomplishments and contributions during the current appraisal period when it is known that the supervisor will cease to exercise duties related to monitoring, developing, and rating employee performance (due to job change, extended absence, retirement, etc.) for such employees. This condition may result from a job change by the supervisor or the employee.

SC1940.6.5.1. A supervisor will prepare a closeout assessment for an employee when it is known that the employee will change positions resulting in a new supervisor. Additionally, a supervisor will prepare a closeout assessment, as needed, for employees on details or other previously occupied positions, as input for an employee's rating of record.

SC1940.6.5.2. A closeout assessment is only required if an employee has been assigned to a specific supervisor and has been on an approved performance plan for more than 30 consecutive days. This is a minimum requirement, and DoD Components may define additional requirements.

SC1940.6.5.3. Closeout assessments will be accomplished in a timely manner and will be considered by the appropriate rating official when determining the recommended rating of record, share assignment, and payout distribution.

SC1940.6.5.4. A closeout assessment for an employee that was prepared during the most recent appraisal period will be available for review by:

SC1940.6.5.4.1. The employee;

SC1940.6.5.4.2. The employee's supervisor (or rating official, if different);
and,

SC1940.6.5.4.3. The responsible Pay Pool Panel and Pay Pool Manager.

SC1940.7. DEVELOPING PERFORMANCE

SC1940.7.1. Developing performance is integrated with the performance management process. Along with meaningful performance-related discussions that assist the employee in reinforcing strengths and correcting weaknesses, employee development opportunities will be discussed.

SC1940.7.2. Contributing factors may serve as the basis for assessing, and provide the framework for discussing, employee developmental needs.

SC1940.7.3. Supervisors will discuss and encourage employees to seek professional and technical development opportunities to further enhance their contribution to the organization's mission and goals, as appropriate. Employee development opportunities may include classroom training, on-the-job training, mentoring, special assignments, details and reassignments, group performance meetings, process improvement teams, and self-development activities.

SC1940.8. PERFORMANCE DEFICIENCIES

SC1940.8.1. Any time management determines an employee is failing to meet expectations, management must take steps to promptly address the employee's unacceptable performance in accordance with section 9901.410 of Reference (b).

SC1940.8.2. Although there is no requirement for the establishment of a formal performance improvement period before management may initiate an adverse action, supervisors should consider this intervention. Adverse action may be taken independent of the processes and/or procedures for appraising and rating performance under SC1940.10. and pay pool procedures under SC1940.11.

SC1940.8.2.1. Reduction in Rate of Pay/Pay Band by Adverse Action. An involuntary reduction in an employee's basic pay and/or pay band may be initiated and made effective at any time through adverse action procedures based on a determination of unacceptable performance and/or conduct.

SC1940.8.2.2. Pay Setting Upon Reduction in Pay or Pay Band. An adverse action may be taken to assign an employee to a position in a lower pay band and/or reduce an employee's basic pay. Pay setting resulting from such reductions will be determined in accordance with sections 9901.343, 9901.353, and 9901.355 of Reference (b) and SC1930.

SC1940.8.2.3. Impact of Misconduct on Performance.

SC1940.8.2.3.1. The impact of misconduct on the employee's rating of record will depend on its seriousness; negative effect on coworkers, customers, or mission; evidence of correction; and, any other relevant matters.

SC1940.8.2.3.2. The fact that misconduct may impact the employee's rating of record at the conclusion of the appraisal period will not be the basis for delaying corrective action, including initiating an adverse action under Chapter 75 of Reference (a).

SC1940.9. END OF YEAR PERFORMANCE ASSESSMENTS

SC1940.9.1. An integral part of the performance management process is the supervisory assessment of performance relative to job objectives, including the impact of selected contributing factors. This written assessment captures the employee's accomplishments or lack thereof, if applicable, during the appraisal period and is used in the rating process. Assessing performance involves evaluating employee performance relative to communicated performance expectations, including job objectives and contributing factors, for the appraisal period.

SC1940.9.2. Employee Self-Assessment.

SC1940.9.2.1. Employees are encouraged to provide a self-assessment for each job objective covering their performance and contributions to the organization for the current appraisal period. Employee self-assessments will describe accomplishments relative to performance expectations, including job objectives and associated contributing factors, organizational mission and goals, team goals, etc. The input will assist the rating official in evaluating more fully the employee's performance results. While entirely voluntary, it is recommended that the employee complete the self-assessment narrative. The employee's perspective will better inform the rating official of performance and contribution and thereby may impact the recommended rating and payout.

SC1940.9.2.2. To facilitate completion of this self assessment, employees are encouraged to maintain a personal record of their accomplishments, achievements and performance throughout the appraisal period.

SC1940.9.3. Supervisory Assessment of Employees. The supervisor (or rating official, if different) must prepare a narrative assessment for each eligible employee. Supervisors will provide a narrative assessment addressing each job objective describing the employee's accomplishments and contributions to the organization relative to his or her performance expectations, including an assessment of each job objective and associated contributing factors.

SC1940.9.3.1. If the supervisor (or rating official, if different) has limited direct knowledge of the employee's performance, care should be taken to gather applicable facts (e.g., work products, closeout assessments, productivity metrics, customer feedback) to inform the recommended rating of record determination process.

SC1940.9.3.2. Any time after an employee has completed the minimum period and the supervisor-employee reporting relationship or assignment changes, the supervisor

will provide a closeout assessment in accordance with the procedures in SC1940.6.5. If such change occurs within 90 days of the end of the appraisal period, the supervisor will complete an early annual recommended rating of record in accordance with section 9901.412 of Reference (b). Exceptions, as determined by the Pay Pool Manager, may be allowed based on individual circumstances.

SC1940.9.3.3. If an employee has not met the minimum period of performance by the end of the standard appraisal period, management has the discretion to extend the appraisal period. Such extensions will not affect the payout effective date.

SC1940.10. RATING METHODOLOGY

SC1940.10.1. Method of Assessment. The method of assessing an employee's performance involves assigning a rating to the individual job objectives, adjusting this rating based on impact (if any) of the associated contributing factors, and averaging the adjusted ratings to arrive at the recommended rating of record. Each of these steps is outlined in this section.

SC1940.10.2 Forced Distribution. Forced distribution of ratings (setting pre-established limits for the percentage or number of ratings that may be assigned at any level) is prohibited.

SC1940.10.3. Job Objectives. Each job objective is evaluated based on the employee's accomplishments relative to the employee's stated objectives and measures and the application of the appropriate performance indicators for the employee's pay band. A supervisor (or rating official, if different) will assign a job objective rating (1 to 5) to each job objective in accordance with the guidance in this subchapter and supporting DoD Component policies.

SC1940.10.3.1. Based on an employee's accomplishments on each job objective and using the performance indicators (see Appendix 2, Performance Indicators), the supervisor will assign a job objective rating (a single numerical score from 1 to 5, expressed as a whole number) to each job objective. As performance indicators are not provided for Levels 1, 2, and 4, the supervisor will determine the job objective rating using the achievement of the job objectives, the performance indicators provided, and the job objective rating descriptors. (See Table SC1940-1.)

SC1940.10.3.2. When rating job objectives, a supervisor must consider all applicable performance and conduct information, including, but not limited to, employee and closeout assessments that apply to the current appraisal period.

Table SC1940-1. Job Objective Rating Descriptors

JOB OBJECTIVE RATING	DESCRIPTORS
5	Employee exceeded the assigned job objective at a level of performance equal to, or above, the Level 5 performance indicator.
4	Employee exceeded the assigned job objective at a level of performance above the Level 3 indicator but below the Level 5 performance indicator.
3	Employee met the assigned job objective at a level of performance equal to the Level 3 indicator.
2	Employee met the assigned job objective at a level of performance below the Level 3 indicator level or needed guidance and assistance beyond that described in the Level 3 indicator.
1	Employee failed to achieve the assigned job objective or failed in the performance of a single assignment where such failure had a significant negative impact on accomplishment of the mission or where a single failure resulted in or could result in death, injury, breach of security, or great monetary loss.
NR	Employee did not have an opportunity to perform the job objective because it became obsolete or could not be accomplished due to extenuating circumstances.

SC1940.10.3.3. The result of this process is recorded as the job objective rating. An objective rating of 1 on any individual job objective results in an overall Level 1 recommended rating of record.

SC1940.10.4. Contributing Factors. The contributing factors are sets of work behaviors that are related to and impact the performance of a job objective. The contributing factors and their impact on the accomplishment of the job objective are evaluated using benchmark descriptors appropriate for the employee's pay schedule and pay band. (See Appendix 3, Contributing Factors) These benchmarks are described at the "Expected" performance and "Enhanced" performance levels for each contributing factor. Job objective ratings can be adjusted by 1 based on the supervisor's assessment of the contributing factors.

SC1940.10.4.1. If a job objective is scored at Level 2, the contributing factors cannot be used to lower the job objective rating to a Level 1. If a job objective is rated at Level 1, the contributing factors cannot be used to raise the job objective rating to Level 2.

SC1940.10.4.2. Each eligible employee's performance on a job objective will be assessed using the selected contributing factor(s) and the applicable benchmark

descriptors. When assessing the contributing factors, supervisors will consider the selected factors as a whole (in the aggregate) as they apply to the job objective.

SC1940.10.5. Contributing Factor Assessment.

SC1940.10.5.1. Job Objective Rating Adjustments. Job objective ratings may be adjusted only by a total of 1 point based on the assessment of the contributing factors. Based on the supervisor's overall assessment of the selected contributing factor(s), the supervisor will determine their influence on the associated job objective and indicate whether they increase the job objective rating by a factor of 1, decrease the rating by a factor of 1, or have no effect (0). The assessment of the contributing factors will be reflected in accordance with the information in Table SC1940-2.

Table SC1940-2 Contributing Factor Descriptors

CONTRIBUTING FACTOR IMPACT	DESCRIPTORS
+1	In the execution and accomplishment of the assigned job objective, the employee demonstrated a manner of performance matching or exceeding the description provided in the Enhanced benchmark descriptor(s).
0 (Neutral)	In the execution and accomplishment of the assigned job objective, the employee demonstrated a manner of performance matching or exceeding the description provided in the Expected benchmark descriptor(s) but below that described by the Enhanced benchmark descriptor(s).
-1	In the execution and accomplishment of the assigned job objective, the employee demonstrated a manner of performance below the description provided in the Expected benchmark descriptor(s).

SC1940.10.5.2. Adjusted Rating.

SC1940.10.5.2.1. The combination of the job objective rating and the contributing factor assessment (expressed as +1, 0, or -1) results in an adjusted rating for each job objective. The adjusted ratings are averaged to obtain the overall average score. However, if a Level 1 has been assigned to any job objective, the overall recommended rating of record will be a Level 1 regardless of the adjusted rating on any other job objective.

SC1940.10.5.2.2. If job objectives were weighted, the weights are applied to the adjusted job objective ratings. These weighted scores will be added together and averaged to obtain the overall score. Again, however, if a Level 1 has been assigned to any job objective, the overall recommended rating of record will be a Level 1 regardless of the adjusted rating or weighting on any other job objective.

SC1940.10.6. Recommended Rating of Record. The recommended rating of record will be the rounded average of the adjusted ratings in accordance with section 9901.405 of Reference (b).

SC1940.10.7. Rating of Record.

SC1940.10.7.1. The final rating of record is communicated to employees in the form of a rounded score on a scale from 1 to 5 following the methodology outlined in section 9901.405 of Reference (b) and this section.

SC1940.10.7.2. Upon completion of the pay pool process, the rating of record, share assignment, and payout distribution are communicated to the supervisor. The supervisor is then responsible for documenting the Pay Pool Manager's decision on appropriate performance appraisal documents (electronic or hard copy) and constructively communicating this information to the employee. Because the rating of record is directly linked to pay and retention decisions (see SC1930), it is of utmost importance that employees receive an appropriate, fair, unbiased rating that reflects their performance and contribution.

SC1940.10.7.3. The standard effective date of the rating of record will be January 1 of each year. Exceptions to the standard effective date (January 1) are permitted provided unique, unusual circumstances warrant the variation to the standard effective date. Such extensions must be pay pool-wide and may not be extended specifically to individual employees. The special purpose rating is an additional rating and becomes effective on the date the new rating is approved by the Pay Pool Manager.

SC1940.10.8 Early Annual Recommended Rating of Record.

SC1940.10.8.1. The criteria for issuing an early annual recommended rating of record are identified in section 9901.412 of Reference (b). If these criteria are met, the departing or "losing" supervisor (or rating official, if different) will assess employee performance and contribution in accordance with this subchapter and will recommend a rating of record, share assignment, and payout distribution. This recommendation will go to the Pay Pool Panel to which the employee is assigned at the close of the appraisal period for reconciliation.

SC1940.10.8.2. The period of time between the date of the event that triggered the early annual recommended rating of record and the normal end of the rating cycle will be carried forward into the next appraisal period. For instance, an employee is promoted 60 days before the end of the regular appraisal period. The supervisor will prepare an early annual recommended rating of record as of that date which, when reviewed, reconciled, and approved by the Pay Pool Panel, will be the employee's rating of record. The 60 days that were not covered or rated by the early recommended rating of record will be appended to the new performance year, making it 14 months in length, and will be assessed and rated at the normal end of the new appraisal period.

SC1940.10.9. Special Purpose Rating of Record. The special purpose rating may only be applied in the case of an employee with a Level 1 rating of record who exhibits significant and sustained improvement (not less than 90 days) in his or her performance that equates to Level 2 performance or higher. A special purpose rating of record may be assigned during the appraisal period in addition to the regularly completed rating of record.

SC1940.10.9.1. The assignment of a special purpose rating of record has no impact on pay, retroactive or prospective. To the extent practicable, special purpose ratings, like end-of-year ratings, are subject to the same Pay Pool Panel process as are end-of-year ratings. A consistent approach in performance assessment and employee ratings is critical to the credibility and transparency of the performance-based pay system.

SC1940.10.9.2. At a minimum, the Pay Pool Panel must be convened and consider the appropriateness and validity of the special purpose rating.

SC1940.10.10. Rating of Record for Career Ladder Promotion. For purposes of section 335.104 of Reference (b), a Level 3 NSPS rating of record is equivalent to a Level 3 “Fully Successful” under part 430 of Reference (b).

SC1940.11. PAY POOL POLICIES AND PROCEDURES

SC1940.11.1. Pay Pool Composition. The membership of a pay pool is a group of employees who share in the distribution of a common performance-based pay fund. In addition to the Pay Pool Manager, Pay Pool Panel membership usually includes senior management officials of the organizations or functions represented. Final determinations of Pay Pool Panel membership will be made by the Pay Pool Manager in accordance with DoD and DoD Component policies.

SC1940.11.1.1. Pay Pool Composition Considerations. Criteria to distinguish pay pools may include, but are not limited to, organization structure, employee job function, location, and/or organization mission. Pay pools will be established considering business needs. Pay pools must be established and managed in compliance with merit system principles.

SC1940.11.1.2. Sub-pay Pools. Where determined appropriate due to the size of the pay pool population, the complexity of the mission, or other similar criteria, sub-pay pool panels may be organized in a structure subordinate to the pay pool. Sub-pay pool panels normally operate under the same requirements and guidelines provided to the pay pools to which they belong.

SC1940.11.2. Pay Pool Responsibilities. The Pay Pool Panel will review recommended ratings of record, share assignments, and/or payout distributions, and make adjustments, which in the panel’s view would result in equity and consistency across the pay pool. If the Pay Pool Panel finds the recommended rating, share assignment, and/or

payout distribution is not supported, the panel will notify the rating official of the concern(s) with the recommendation(s) and will afford the rating official the opportunity to provide further justification before a final decision is rendered.

SC1940.11.3. Notice to Employees.

SC1940.11.3.1. To the extent that the information does not compromise the procedural neutrality or the confidentiality of participants (e.g., employees, rating officials, reviewers, etc.), the following information will be made available to employees. Preferably within the first 90 days of the appraisal period but not less than 90 days prior to the end of the appraisal period, pay pool members (i.e., NSPS workforce covered by that pay pool) will be advised of:

SC1940.11.3.1.1. Roles and responsibilities of the Performance Review Authority (PRA), the Pay Pool Manager, and the Pay Pool Panel;

SC1940.11.3.1.2. Identity or membership of the PRA, the pay pool manager, and the Pay Pool Panel;

SC1940.11.3.1.3. Pay pool composition (organizations, functions, groups that describe the makeup of the pay pool);

SC1940.11.3.1.4. General pay pool policies; and

SC1940.11.3.1.5. Factors that may be considered in making specific share assignments and allocations between base salary and bonus.

SC1940.11.3.2. Prior to the effective date of the payout, supervisors (or rating official, if different) will communicate to employees their approved rating of record, share assignment, and payout distribution.

SC1940.11.3.3. Pay Pool Results. Not later than 30 calendar days after the effective date of the payout, the PRA, directly or through Pay Pool Managers will communicate general pay pool results to the NSPS workforce in all subordinate pay pools. Communication of pay pool results must be accomplished in a manner that will not compromise employee confidentiality or violate the Privacy Act. In unusual cases, results may be aggregated at a higher level in the organization. Results will include the following data at a minimum and will be made available to the NSPS workforce in written medium: number of pay pools (if aggregate pay pool results are necessary), number of employees rated, rating and share distribution, average rating, average share assignment, share value (average share value if aggregated pay pool results are necessary) and average payout expressed as a percentage of base salary;

SC1940.11.4. Employees who are first hired into an NSPS-covered position but who will not be rated because they will not have performed for the minimum period required by section 9901.407 of Reference (b) before the last day of the appraisal period will be

advised that they are ineligible for the pay pool payout for the current appraisal period. However, they may be eligible for a special performance increase under section 9901.344 of Reference (b).

SC1940.11.5. Pay Pool Manager Responsibilities. In addition to providing oversight of the Pay Pool Panel, Pay Pool Managers are responsible for ensuring that:

SC1940.11.5.1. Supervisors and management officials tasked with recommending a rating of record, share assignment, and payout distribution for review at the Pay Pool Panel have been adequately trained (See SC1940.4.5.);

SC1940.11.5.2. Pay pool funds are distributed in compliance with SC1930 and DoD and DoD Component financial management policies and based on employee performance and contributions;

SC1940.11.5.3. Communication and notification requirements specified in this subchapter are completed in a timely manner.;

SC1940.11.5.4. Supervisors and rating officials comply with timely issuance of interim reviews, closeout assessments, and early recommended ratings of record.;

SC1940.11.5.5. Information requested by the Department of Defense is provided.

SC1940.11.5.6. Procedures and policies are exercised in a consistent manner throughout the pay pool process and comply with merit system principles; and

SC1940.11.5.7. Supervisors are informed of employee's final rating and rationale for changes to recommended ratings, share assignment, and/or payout distribution.

SC1940.11.6. PRA Responsibilities. The PRA will oversee the operation of pay pools established under NSPS and ensure procedural and funding consistency among pay pools under its authority. The PRA is tasked with the following:

SC1940.11.6.1. Managing the civilian performance-based pay budget and discretionary performance payout fund; (See SC1930.9.8.1)

SC1940.11.6.2. Addressing issues associated with multiple pay systems during the conversion to NSPS;

SC1940.11.6.3. Overseeing the composition of the pay pool in accordance with the established guidelines, this subchapter, and statutory constraints;

SC1940.11.6.4. Providing guidance to Pay Pool Managers;

SC1940.11.6.5. Monitoring and adjusting pay pool fund distribution;

SC1940.11.6.6. Overseeing publication of any notices to employees; and,

SC1940.11.6.7. Deciding challenges to job objective ratings and ratings of record.

SC1940.11.6.8. Conducting an analysis of results within and across pay pools within 120 calendar days after the payout. The purpose of this analysis is to examine and improve performance management system operations in such matters as training, performance plan and assessment quality, rater leadership skills, pay pool processes and feedback, and communication with the workforce.

SC1940.11.7. Notional NSPS Pay Pool Process Timeline is at Appendix 1.

SC1940.12. PERFORMANCE ASSESSMENTS FOR SPECIALLY SITUATED EMPLOYEES

SC1940.12.1. Employees on Temporary Assignment Within NSPS. Policies established for setting and communicating performance expectations as described in SC1940.5 will be applied to the extent practicable. Generally, an employee on a short-term detail, temporary assignment or temporary promotion to another NSPS position during the appraisal period will be assigned a recommended rating of record by the supervisor/rating official of the permanent position. At the time of the temporary assignment, the employee, temporary (gaining) supervisor and supervisor of the permanent position will jointly review the necessity to adjust previously assigned job objectives. The supervisor of the permanent position has final authority to determine and document the appropriate job objectives. Both supervisors will cooperate to ensure that the employee is provided meaningful feedback during the temporary assignment. The temporary supervisors will complete a closeout assessment for employees who have been assigned to them for at least 30 days. In the case of long-term details, temporary assignments or temporary promotions, it may be more appropriate for the temporary (gaining) supervisor to recommend the rating of record, share assignment and payout distribution for reconciliation by the appropriate Pay Pool Panel.

SC1940.12.2. Employees Who Have Not Performed for the Minimum Period Due to Administrative Error. Employees who would have been eligible for a rating of record under this subchapter but for an administrative error will be provided an extension to the performance period. The rating and payout procedures will be consistent with the requirements of this subchapter and SC1930 to the maximum extent feasible. Such extension may not delay the effective date of the payout for either the individual employee or the pay pool.

SC1940.13. RECONSIDERATION OF RATINGS

A rating of record or job objective rating may be challenged in accordance with section 9901.413 of Reference (b). Reconsideration decisions will be treated confidentially.

SC1940.13.1. Procedures for Administrative Reconsideration.

SC1940.13.1.1. Within 10 calendar days of receipt of the rating of record, an employee seeking reconsideration of that rating or a job objective rating must submit a written request for reconsideration to the Pay Pool Manager with a copy to the rating official and the servicing human resources office (HRO).

SC1940.13.1.2. As long as the Pay Pool Manager determines there is no conflict of interest (e.g., the proposed representative is a management official in the pay pool process for the pay pool to which the employee is assigned or is an advisor to management in the disposition of performance management actions), the employee may identify someone who has agreed to act as his or her representative to assist in pursuing the reconsideration request. The employee will be permitted a reasonable amount of official duty time, if otherwise in a duty status at the employing activity, to prepare and present a request for reconsideration and to communicate with the appropriate management and human resources officials.

SC1940.13.1.3. The request for reconsideration must be in writing and may include a request for discussion with the Pay Pool Manager. The request must include a copy of the rating being challenged, state what change is being requested and the basis for the change.

SC1940.13.2. Exclusions. Employees cannot challenge the following:

SC1940.13.2.1. A performance payout, number of performance shares assigned, value of performance shares, or distribution of payout between increase to base salary and bonus;

SC1940.13.2.2. A recommended rating of record;

SC1940.13.2.3. An interim review; or,

SC1940.13.2.4. A closeout assessment

SC1940.13.3. Allegations that a performance rating was based on prohibited discrimination, such as race, color, religion, sex, national origin, age, physical or mental disability, or reprisal may not be processed through the reconsideration process, but instead will be processed through the EEO discrimination complaint procedure.

SC1940.13.4. Failure to comply with the procedures in this subpart may result in the Pay Pool Manager issuing a written cancellation of the reconsideration request. A copy of the cancellation will be furnished to the servicing HRO, the employee's rating official and the employee.

SC1940.13.5. The rating official will review a copy of the reconsideration request and address the employee's concerns with the Pay Pool Manager.

SC1940.13.6. The Pay Pool Manager will review the request and confer with the rating official and/or conduct further inquiry, as he or she deems appropriate.

SC1940.13.7. The employee may request an opportunity to personally address the Pay Pool Manager and/or Pay Pool Panel. The Pay Pool Manager will decide whether such communication will be accomplished, as well as the date and time, location, and method of communication. To the extent practicable, such events will be held during the working hours of the employee.

SC1940.13.8. Within 15 calendar days of the Pay Pool Manager's receipt of the employee's written request for reconsideration, the Pay Pool Manager must render a written decision. The decision must include a brief explanation of the basis of the decision. A copy of the decision is provided to the servicing HRO, the rating official and the employee. The Pay Pool Manager's decision is final, unless the employee seeks further reconsideration from the PRA.

SC1940.13.9. If the employee is dissatisfied with the Pay Pool Manager's decision, or if none is provided within the prescribed timeframes, the employee may submit a written request for final review by the PRA or PRA designee within 5 calendar days of receipt of the Pay Pool Manager's decision or within 5 calendar days of the date the decision should have been rendered.

SC1940.13.10. The PRA will review the request and confer with the Pay Pool Manager, or conduct further inquiry as he or she deems appropriate, before rendering a written decision to the employee within 15 calendar days of the receipt of the written request (to the PRA) from the employee. The decision of the PRA or PRA designee is final. A copy of the decision will be provided to the servicing HRO, the Pay Pool Manager, the rating official and the employee.

SC1940.13.11. The Pay Pool Manager, PRA, or PRA designee may extend timeframes identified in SC1940.13.8. and SC1940.13.10. up to an additional 15 days with notification to the employee. Extensions of timeframes in excess of 15 days may be authorized by mutual agreement between the employee and the Pay Pool Manager.

SC1940.13.12. If the final decision is to change the rating of record or job objective rating, the revised rating will take the place of the original one, and a revised performance appraisal will be prepared and entered into all appropriate records. A copy of the revised rating will be provided to the employee, the servicing HRO, and the rating official. Any personnel actions resulting from the previous record will be canceled and replaced with new actions. The revised rating of record will be retroactive to the effective date of the original rating of record, normally January 1.

SC1940.13.13. When calculating time limits under the administrative reconsideration procedure, the day of an action or receipt of a document is not counted. The last day of the time limit is counted unless it is a Saturday, a Sunday, a legal holiday, or a day on which the employee is not regularly scheduled to work. In those cases, the last day of the time limit will be moved to the employee's next regularly scheduled work day. All time limits are counted in calendar days.

SC1940.13.14. Procedures for Bargaining Unit Employees

SC1940.13.14.1. A bargaining unit employee may challenge a rating of record or job objective rating through a negotiated grievance procedure unless explicitly excluded from that process. If an employee is precluded from challenging a rating of record through a negotiated grievance procedure, the employee may use the reconsideration process outlined in SC1940.13.1. A bargaining unit employee may use these procedures so long as the rating of record has not been raised in connection with an appeal under the provisions of section 7701 of Reference (a) or other appropriate process and regulations for employees not covered by section 7701 of Reference (a). Once an employee raises a rating of record issue in an appeal under section 7701 of Reference (a) or other appropriate process and regulations for employees not covered by section 7701 of Reference (a), any pending grievance, arbitration, or request for administrative reconsideration under section 9901.413 of Reference (b) will be dismissed with prejudice.

SC1940.13.14.2. If the final decision in a grievance filed under a negotiated grievance process is to change the job objective rating or rating of record, a revised performance appraisal will be prepared and entered into all appropriate records, and a copy will be provided to the employee, the servicing HRO, and the rating official. The revised rating of record will be retroactive to the effective date of the original rating of record, normally January 1.

SC1940.AP1. APPENDIX 1 TO SUBCHAPTER 1940
NOTIONAL NSPS PAY POOL PROCESS TIMELINE

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1	<p>Preferably within the first 90 days of the appraisal period, but not less than 90 days prior to the end of the appraisal period, establish:</p> <ul style="list-style-type: none"> • The roles and responsibilities of the PRA, the Pay Pool Manager and the Pay Pool Panel. • The identity or membership of the PRA, the Pay Pool Manager and the Pay Pool Panel. • Pay pool composition and structure (the organizations, functions, sub-pay pools, etc. that describe the makeup of the pay pool). • Pay pool policies, including those concerning discretionary pay funds. • Timeline • Considerations in making share assignments and payout distribution • Amounts available for base salary increases and bonuses • Use of control points, if any.
2	<p>At the conclusion of the appraisal period, the rating official (normally the first-level supervisor) will request that employees provide self-assessments describing their own accomplishments for each objective in the performance plan in sufficient time to consider in their supervisory assessment. <i>Provision of this assessment is entirely voluntary.</i> The employee should describe his or her accomplishments relative to performance expectations, including job objectives, contributing factors, organizational mission and goals, team goals, etc.</p>
3	<p>The rating official considers input from the employee, personal observations, and other sources as appropriate, to assess the level of the employee's performance for each objective in the performance plan. A recommended rating of record is derived in accordance with the procedures at SC1940.10 and SC1940.11. The rating official submits recommended ratings, share assignments, and payout distribution between a salary increase and a bonus for review by the pay pool panel. Organizations may establish policies that provide for a higher level management review or sub-pay pool structure to manage the flow of recommended ratings, share assignments, and payout distribution.</p>

4	<p>The pay pool panel meets to review and reconcile recommended ratings, share assignments and payout distribution for employees within that pay pool to ensure equity and consistency. The rating of record, share assignment and payout distribution are finalized through one or more pay pool panel meetings. Management will determine the appropriate administrative procedures for this process and the operation of the pay pool panel.</p> <p>Typically, the meeting involves a presentation of employee's performance and recommended rating, share assignments and payout distribution followed by discussion by panel members to review the basis for the recommendations. Discussion should involve direct experiences and current information about employees.</p> <p>When determining employee's payout distribution, pay pools should consider such factors as:</p> <ul style="list-style-type: none"> • Current base salary in relation to appropriate rate range; • Current base salary, level of responsibility and complexity of work performed in comparison with others in similar work assignments; • Performance-based compensation received during the rating cycle associated with promotions, reassignments, or awards; • Salary levels of occupations in comparable labor markets; • Attrition and retention rates of critical shortage skill personnel; • Expectation of continued performance at this level; • Overall contribution to the mission of the organization; and, • Composition of the pay pool fund <p>Pay pool panel decisions should be based on a consensus of the members. However, if agreement cannot be reached, the pay pool manager will make the final decision. Changes made to a recommended performance rating, share assignment or payout distribution should be communicated back to the rating official along with the rationale for the change. The pay pool manager will notify the rating official of the concern(s) with the recommendation(s) and will afford the rating official the opportunity to provide further justification before a final decision is rendered.</p>
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5	Upon completion of the pay pool panel process, the pay pool manager approves the ratings, share assignments and payout distribution. Once finalized, the employee's performance rating becomes their rating of record. The rating of record, share assignments and payout distribution are documented and serve as the basis for performance feedback discussions with the employee.
6	Before the payout, the supervisor or rating official communicates the approved rating and payout results to each employee. Potential opportunities for increasing performance for the upcoming appraisal period are also discussed. This information will be maintained consistent with established agency procedures. The payouts become effective as prescribed by DoD issuance.